WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Budget Change Item

1. FORWARD WISCONSIN DEVELOPMENT AUTHORITY CREATION

Governor: Consolidate the programs of the Wisconsin Housing and Economic Development Authority (WHEDA) and the Wisconsin Economic Development Corporation (WEDC) into the Forward Wisconsin Development Authority (FWDA), effective January 1, 2016. The following sections describe programs, authorizations and characteristics of WHEDA that would be affected. For additional information on the proposed structure of FWDA, see "Forward Wisconsin Development Authority."

Continuation of Programs. Transfer to FWDA the statutory authority for the following WHEDA programs, which remain active or were recently active and have loans outstanding:

Housing Programs
- Homeownership mortgage loan program
- Housing rehabilitation loan program
- Property tax deferral loan program

Loan Guarantee Programs
- Small business development
- Agricultural development
- Farm asset reinvestment management (FARM)
- Agricultural production (credit relief outreach program [CROP])
- Drought relief agricultural production

The bill also would transfer statutory authority for the following temporary or currently inactive programs:

Housing Programs
- Veterans housing loans
- Qualified subprime refinance loans
- Homeownership eviction and lien protection (HELP)

Loan Guarantee Programs
- Emergency heating assistance
- Recycling
- Public affairs network
- Job training
- Drinking water

Although WHEDA's economic development loan guarantee programs would be retained under FWDA, the bill would repeal the economic development lending program, for which WHEDA is authorized to issue bonds.

FWDA also would be required to continue allocating any year-end unencumbered general reserves, or "surplus." Under current law, WHEDA annually submits to the Governor and Legislature a plan, known as "Dividends for Wisconsin," for expending its unencumbered general reserves on housing and economic development programs.

Other WHEDA programs operated under its general authority, and not specifically created by statute, would be expected to continue. These include: (a) several programs for financing multifamily housing developments; (b) programs for assistance with down payments and closing costs on the purchase of single-family residences under WHEDA lending programs; and (c) certain other programs operated from WHEDA's general reserves or with federal funds.

Governance and General Provisions. Repeal all current powers of WHEDA as well as the Authority's governance and executive structure. Under current law, the powers of the Authority are vested in a 12-person governing board consisting of: (a) six public members, serving staggered four-year terms, who are nominated by the Governor and confirmed by the Senate; (b) the chief executive officer of WEDC, or his or her designee; (c) the Secretary of Administration, or his or her designee; (d) two Representatives of the Assembly, one of each party; and (e) two members of the Senate, one of each party. The Governor appoints a public member as Chairperson for a one-year term. WHEDA's Executive Director is nominated by the Governor and confirmed by the Senate for two-year terms, and the Executive Director has authority to hire employees as necessary. [See "Forward Wisconsin Development Authority" for additional information on proposed FWDA governance.]

Most statutory authorities specifying the terms of WHEDA's general operations would be transferred to FWDA. For example, the statutory provisions governing WHEDA bond issuance would serve as the same general authorizations for FWDA. Other WHEDA provisions the bill would apply to FWDA include those: (a) declaring Authority documents and records as public records under the state open records law, except those containing personally identifiable information or information that would jeopardize an applicant's competitive position; (b) requiring annual reporting on contracts or business transactions with firms owned predominantly by minority group members or disabled veterans; (c) prohibiting discrimination in occupancy of housing projects assisted by Authority financing; and (d) prohibiting discrimination by contractors or subcontractors engaged in the construction of facilities assisted with Authority financing.

The bill would include standard directives providing that all assets, liabilities, tangible personal property, pending matters and current contracts of WHEDA and WEDC become those of FWDA effective January 1, 2016. WHEDA policies and procedures in effect on the effective date of the merger, to the extent they are not inconsistent with analogous WEDC policies and procedures, are specified to remain in effect until amended or repealed by FWDA, or until a previously specified expiration date, if any.

Employment. The bill specifies all WHEDA and WEDC employees as of January 1, 2016, become employees of FWDA. Under current law, WHEDA employees are considered state employees for purposes of Chapter 40 of the statutes (employee trust funds and employee benefits). As such, WHEDA employees generally are eligible for similar benefits afforded to persons employed by state agencies. WHEDA employees participate in the Wisconsin Retirement System, and WHEDA employees are eligible for health insurance benefits administered by the Group Insurance Board for employees of state agencies. These provisions would not be affected by the bill.

Appropriations and Funds. WHEDA operations are not supported by regular funding from the state. Instead, WHEDA received one-time state funding shortly after its creation in 1972, which has since been repaid, and its operations are funded mostly by: (a) interest rate spreads, which is the difference in interest received from borrowers and interest due to bondholders; (b) servicing, origination and other fees; and (c) interest and investment income on its fund balances. Irregular appropriations have been made in the past, typically for start-up funding for loan guarantee programs.

Although WHEDA does not receive ongoing state funding, the statutes contain several appropriations that would allow for state funds to transfer to WHEDA, if provided by the Legislature. Any such appropriations generally would be for purposes of: (a) resolving deficiencies in required capital reserves supporting WHEDA's bond issues, which has never been necessary in WHEDA's history to date; or (b) providing funding to the Wisconsin Development Reserve Fund (WDRF), which supports WHEDA's active loan guarantee programs. (2013 Act 20 appropriated $2.5 million GPR in 2013-14 for support of WDRF loan guarantee programs. Prior to this appropriation, no state funds had been transferred to the WDRF since the 1990s.) The bill would repeal all WHEDA appropriations but recreate most under FWDA. The following table lists the appropriations the bill would continue, although none would be budgeted any funds in 2015-17:

FWDA Housing and Loan Guarantee Appropriations

Appropriation Title	Fund Source
Housing programs—general operations	GPR
Housing rehabilitation loan program	GPR
Capital reserve fund deficiency	GPR
Homeowner eviction and lien protection program	GPR
Housing rehabilitation loan-loss reserve	SEG
WDRF—General fund transfers	GPR
WDRF—Environmental fund transfers	SEG
WDRF—Agrichemical management fund transfers	SEG
WDRF—Petroleum inspection fund transfers	SEG

Certain special funds currently administered by WHEDA would be transferred to FWDA, including: (a) the WDRF; (b) the housing development fund, which is to be used to defray costs of developments providing housing for persons of low or moderate income; and (c) the housing rehabilitation loan program administration fund, which supports a program to provide loans for necessary upgrades or energy-efficiency improvements. The bill would retain the statutory authority for separate, but inactive, guarantee funds for the job training and drinking water loan guarantee programs. The state housing authority reserve fund, a segregated fund created in Chapter 25 of the statutes for supporting the housing rehabilitation loan program, generally would not be affected by the bill, although the fund is no longer actively used.

Joint Finance: Delete provision.